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BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 28, 2003

IN RE:

**COUNCE NATURAL GAS COMPANY
ACTUAL COST ADJUSTMENT (ACA) AUDIT**

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) **DOCKET NO. 02-01182**
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**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 16, 2002, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of Counce Natural Gas Company's (the "Company") annual deferred gas cost account filing for the year ended September 30, 2002. The Actual Cost Adjustment ("ACA") Audit Report (the "Report"), attached hereto as Exhibit 1 and incorporated by this reference, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

The Company submitted its ACA filing on October 29, 2002, and the Staff completed its audit of the Company's filing on November 21, 2002. On November 21, 2002, the Staff issued its preliminary ACA audit findings to the Company, and the Company responded to these findings on November 22, 2002. The Staff filed its Report with the Authority on December 4, 2002. The Report contains two findings. The first finding is that the Company incorrectly calculated its gas cost recoveries for the audit period. The Report states that total gas costs

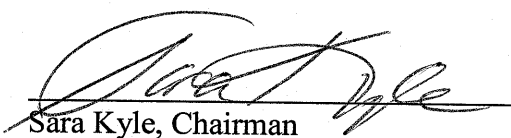
recoveries were understated by \$3,535.49. The second finding is that the Company overstated the interest on its ACA account balance by \$892.93. As further stated in the Report, the Company agreed with each of the Staff's findings.

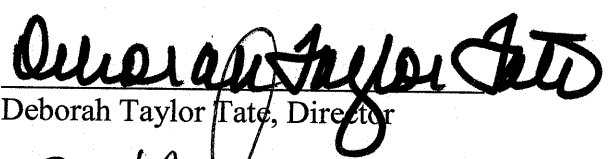
The Report states that the corrected balance in the Company's ACA account as of September 30, 2002 is -\$16,445.50, which represents over-collected gas costs. The Report states that the Company is authorized, beginning with its November 2002 billing, to include an ACA adjustment factor of -\$0.8190 per MCF in its gas rate, resulting in a new billing rate of \$7.2614 per MCF.

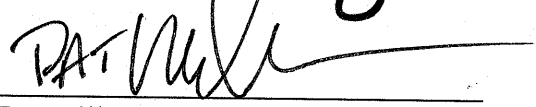
After consideration of the Report, the voting panel unanimously approved and adopted the findings and recommendations contained therein.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report relative to Counce Natural Gas Company relative to the year ended September 30, 2002, a copy of which is attached to this order as Exhibit 1, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Pat Miller, Director